

Message Text

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ACTION IO-13

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TAGS: PORG, OCON, UNIDO

SUBJECT: RESUMED TENTH SESSION, UNIDO INDUSTRIAL DEVELOPMENT
BOARD (IDB-X); AGENDA ITEMS 6 AND 7; INDUSTRIAL
DEVELOPMENT FUND

REF: A) VIENNA 7496, B) STATE 223120, C) USUN 3639

D) VIENNA 7553, E) STATE 224354

1. SUMMARY: AFTER DIFFICULT AND PROTRACTED NEGOTIA-
TIONS, IDB-X FORWARDED TO UNGA FOR ITS CONSIDERATION
DRAFT ANNEXES II AND III TO ID/B/169, ESTABLISHING
GENERAL PROCEDURES AND FINANCIAL RULES FOR OPERATION

OF UNITED NATIONS INDUSTRIAL DEVELOPMENT FUND (UNIDF).
UNRESOLVED QUESTION TO BE ADDRESSED BY GA IS DEFINITION
OF AUTHORITY FOR ESTABLISHMENT OF UNIDF FINANCIAL RULES,
WITH G-77 INSISTING ON DEVOLUTION OF THIS AUTHORITY
UPON UNIDO'S IDB, GP B INSISTING UPON MAINTAINING
INTEGRITY OF SYG'S AUTHORITY TO ESTABLISH FINANCIAL
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RULES. POSSIBILITU ALSO EXISTS THAT GP D COUNTRIES,
UPON REFLECTION, WILL ATTEMPT MODIFY SOME PROVISIONS

OF ANNEXES II AND III WHICH COULD PROVE EMBARRASING
TO THEM INTERMS OF EFFECTIVE USE OF NON-CONVERTIBLE
CURRENCIES. END SUMMARY..

2. TAKING UP UNFINISHED BUSINESS OF FIRST SESSION

IDB-X, RESUMED SESSION CONTINUED CONSIDERATION OF DOC. ID/B/169, ON ESTABLISHMENT OF A U.N. INDUSTRIAL DEVELOPMENT FUND. ALTHOUGH FIRST SESSION HAD REPORTED OUT CONSENSUS ON ANNEX I OF REF DOC (DRAFT UNGA RES TO ESTABLISH UNIDF), THERE WAS GENERAL AGREEMENT

AMONG MEMBERS OF IDB THAT ALL THREE ANNEXES BE PRESENTED TO GA AS "PACKAGE" THAT HAD ALREADY GAINED ACCEPTANCE BY IDB OF ALL ITS ELEMENTS. IDB THEREFORE ESTABLISHED OPEN-ENDED WORKING GROUP TO

CONSIDER ANNEXES II (GENERAL PROCEDURES) AND III (FINANCIAL RULES).

3. WE MET NINE TIMES UNDER CHAIRMANSHIP AMBASSADOR

SIASON (PHILIPPINES), WHO ALSO REPRESENTED G-77 (OTHER PARTICIPANTS INCLUDED US, UK, FRG, CANADA, SWITZERLAND, SWEDEN FROM GP B; POLAND, AS SPOKESMAN, AND USSR FROM GP D; AND CHINA). DIFFICULT AND LENGTHLY NEGOTIATIONS, CONTINUING INTO EARLY MORNING OF NEXT DAY OR TWO OCCASIONS, FOCUSED PRIMARILY ON TWO HARD ISSUES: QUESTION OF AUTHORITY TO ESTABLISH FINANCIAL RULES AND REQUIREMENT THAT PORTION OF ANY CONTRIBUTION BE PAID IN CONVERTIBLE CURRENCY. DIFFERENCE

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ON FIRST ISSUE AROSE IMMEDIATELY, WITH G-77 HOLDING THAT CHAPTER 4, PARA 1 OF DRAFT RESOLUTION, AS REDRAFTED IN FIRST SESSION IDB-X (ID/B/171, PARA 64), WAS INTENDED TO GRANT IDB AUTHORITY TO ESTABLISH FINANCIAL RULES FOR UNIDF WITHIN ITS GENERAL PROVISION FOR "...ESTABLISHING THE RULES FOR THE FUNCTIONING AND ADMINISTRATION...OF THE FUND". GP B REPS COUNTERED THAT THEY HAD NO SUCH UNDERSTANDING AND THAT FIRST LINE OF CHAPTER 4, PARA 1 ("WITHOUT PREJUDICE TO CHAPTER V BELOW...") IN THEIR OPINION SPECIFICALLY EXCEPTED THE FINANCIAL ARRANGEMENTS SET OUT IN CHAPTER V FROM THE GENERAL AUTHORITY OF THE IDB SET OUT IN CHAPTER IV OF THE DRAFT RESOLUTION, IN KEEPING WITH REGULATION 10.1 OF UN FINANCIAL REGULATIONS. BOTH SIDES HELD FIRMLY TO OPPOSING VIEWS, WITH RESULT THAT DRAFT FINANCIAL RULES AS FORWARDED TO GA CONTAIN TWO ALTERNATE VERSIONS OF RULE 301.2 ONE (GP B) HOLDING THAT RULES ARE TO BE ESTABLISHED BY SYG AND OTHER (G-77)

STIPULATING THAT RULES ARE TO BE ESTABLISHED BY
IDB. REPORT OF RESUMED SESSION (ID/B/171/ADD.1,
P. 9) DESCRIBES DISAGREEMENT AND REQUESTS THAT GA,
BEFORE TAKING ACTION ON DRAFT RESOLUTION, FIRST
RESOLVE QUESTION OF APPLICATION OF REGULATIONS 10.1
TO FINANCIAL RULES OF UNIDF (SEE REFTELS A, B, C).

4. SECOND MAJOR DIFFERENCE BROUGHT PROLONGED
WRANGLING BETWEEN GP B AND GP D OVER ISSUE OF REQUIRE-
MENT THAT VOLUNTARY CONTRIBUTIONS INCLUDE CONVERTIBLE
CURRENCY COMPONENT (ID/B/169, ANNEX 3, RULES 303.5
AND 303.6). GP D COUNTRIES HELD THAT REQUIREMENT
TO BE IN CONTRAVENTION OF "PRINCIPLE OF VOLUNTARINESS",
AND MADE CLEAR THAT THEY WERE NOT PREPARED TO JOIN
IN CONSENSUS UNLESS THAT REQUIREMENT WERE DELETED.
USDEL THEN SUBMITTED AMENDED LANGUAGE FOR PARA. 13
OF GENERAL PROCEDURES AND RULE 308.1 OF FINANCIAL
RULES (ID/B/171/ADD. 1) IN ATTEMPT TO ENSURE THAT
(1) SUBSTANTIAL PROPORTION OF OPERATING COSTS OF
UNIDF WOULD BE MET FROM UNIDF RESOURCES AND (2)
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PRESSURE WOULD BE MAINTAINED ON GP D COUNTRIES TO
SUPPLY A PORTION OF THEIR CONTRIBUTIONS IN CONVERTIBLE
CURRENCIES (SEE REFTELS D AND E).

5. IN FIRST INSTANCE, PARA 13 OF GENERAL PROCEDURES
PROVIDES THAT UNIDF RESOURCES SHALL BE DRAWN ON AT
UNDP REIMBURSEMENT RATE TO PROVIDE PROGRAM SUPPORT AND
ADMINISTRATIVE SERVICES. SECOND PROVISION,
RULE 308.1., ESTABLISHES THAT UNIDF RESOURCES CAN BE
USED FOR PROGRAM PURPOSES ONLY AFTER BEING DRAWN UPON
TO MAINTAIN OPERATIONAL RESERVE AND AFTER BEING DRAWN UPON
TO MAINTAIN OPERATIONAL RESERVE AND AFTER PROVIDING
FOR PROGRAM SUPPORT AND ADMINISTRATIVE COSTS AS SET
OUT ABOVE. USDEL, AFTER CONSULTING WITH OTHER GP B
DELS AND SECRETARIAT FINANCIAL SERVICES UNIT,
REASONED THAT, AS LONG AS CONVERTIBLE CURRENCY
CONTRIBUTORS LIMITED THEIR CONTRIBUTIONS UNDER UNIDF
TO SPECIAL-PURPOSE TRUST FUNDS (WHICH HAS BEEN
ALMOST UNIVERSALLY THE CASE UP TO NOW IN UNIDO
CONTEXT), WHICH CANNOT BE DRAWN ON TO PROVIDE CON-
VERTIBLE CURRENCY REQUIRED FOR MEETING COSTS SET
OUT IN RULE 308.1. NON-CONVERTIBLE CONTRIBUTIONS TO
GENERAL FUND OF UNIDF WOULD QUICKLY BECOME UNUSABLE
AS CONVERTIBLE CURRENCIES IN THAT CATEGORY OF FUND
WERE EXHAUSTED. SEEN IN CONNECTION WITH RULE 303.5,
WHICH AUTHORIZED EXECUTIVE DIRECTOR TO "NEGOTIATE
WITH CONTRIBUTING GOVERNMENTS REGARDING CONVERTI-
BILITY OR RECONVERSION OF THEIR CONTRIBUTIONS",
THIS PROBABLE OUTCOME APPEARED TO PROVIDE MEANS FOR

MAINTAINING PRESSURE ON GP D TO PROVIDE AT LEAST
SOME PROPORTION OF CONVERTIBLE CURRENCY IN ORDER TO

MAKE USABLE THEIR NON-CONVERTIBLE CONTRIBUTIONS.

6. AT LAST MOMENT ON FINAL DAY OR RESUMED SESSION,
USSR DEL APPEARED TO PERCEIVE DIFFICULTY THAT
APPLICATION OF RULE 303.5 MIGHT CAUSE FOR FUTURE
GP D CONTRIBUTIONS TO UNIDF; IN HASTILY CONVENED
MEETING OF WORKING GROUP, SENIOR MEMBER OF USSR DEL
ATTEMPTED DELETE ANY REFERENCE TO NEGOTIATING
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AUTHORITY ON PARA OF EX. DIR. AND TO REMOVE REFERENCE
TO "CONVERTIBILITY" AND "RECONVERSION." IN FACE
OF HARDENING GP ATTITUDES (WITH SOME SUPPORT FOR
GP B FROM G-77), GP D FINALLY ACCEPTED FORMULATION
THAT RETAINED EX. DIR'S NEGOTIATING AUTHORITY
"REGARDING THE EFFECTIVE UTILIZATION, IN ALL ITS
ASPECTS, OF THE CURRENCIES CONTRIBUTED."

7. DESPITE VERY FULL CONSULTATIONS IN WHICH USDEL
AND OTHER GP B MEMBERS ENGAGED WITH GP D SPOKESMEN,
AND CLEAR STATEMENTS BY SECRETARIAT ADVISERS DURING
WORKING GROUP MEETINGS OF PROBABLE IMPACT OF DRAFT
RULES 303.5 AND 308.1 ON CONTRIBUTIONS TO UNIDF IN
NON-CONVERTIBLE CURRENCIES, IT IS NOT CLEAR THAT
GP D HAD FULLY THOUGHT THROUGH IMPLICATIONS OF THOSE
RULES DURING COURSE OF RESUMED SESSION. SOVIETS OR
EASTERN BLOC SPOKESMAN MAY THEREFORE ATTEMPT REOPEN
NEGOTIATION OF THOSE PROVISIONS IN 5TH COMMITTEE. STIRBAVY

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